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President Loretta Lynch and Commissioners
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Proposed Settlement of *SDG&E v. Loretta Lynch, et al.*, United States District Court for the Southern District of California, Case Number 02CV339 BTM (LAB)

Dear President Lynch and Commissioners:

On behalf of San Diego Gas & Electric ("SDG&E"), I am hereby transmitting for your consideration a proposed Settlement Agreement covering the above-referenced federal court litigation. The Commission's Legal Division has carefully reviewed the terms of this proposed Settlement Agreement, and SDG&E understands that the form and language of the attached document would be acceptable to the Legal Division in the event that the Commission determines to adopt this proposed Settlement Agreement.

Although this proposed Settlement Agreement only settles the above-referenced federal court litigation, the Commission's adoption of this proposed Settlement Agreement would have an impact on one issue that is currently under consideration in the Commission's consolidated proceeding A.00-10-045 and A.01-01-044. SDG&E is accordingly transmitting a copy of this proposed Settlement Agreement to the parties to that proceeding at the same time that it is transmitting it to you for your consideration.

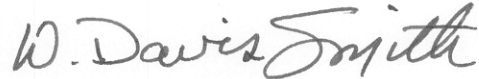
This transmittal is intended to be consistent with the Assigned Commissioner's Ruling of May 16, 2002 in proceeding A.00-10-045 and A.01-01-044, as clarified by Commissioner Wood's Ruling of June 7, 2002. By copy of this letter to the Interim Chief Administrative Law Judge, Carl Oshiro, SDG&E is requesting that Mr. Oshiro's office issue a ruling specifying the period of time for the parties to said proceeding to comment on the proposed Settlement Agreement and indicating the manner in which such comments should be submitted.

Due to the impending resumption of evidentiary hearings in proceeding A.00-10-045 and A.01-01-044, time is of the essence to the Commission's consideration of this proposed Settlement Agreement. SDG&E accordingly requests that you schedule this proposed Settlement Agreement for consideration by the Commission at its next executive session on June 27, 2002. If any party to proceeding A.00-10-045 and A.01-01-044 desires to provide comments on this proposed Settlement Agreement prior to its consideration by the Commission, SDG&E suggests that those comments be provided directly to all Commissioners and others on the service list of the proceeding by close of business on June 21, 2002.

Although this Settlement Agreement is being provided for public comment by the parties in the Commission's consolidated proceeding A.00-10-045 and A.01-01-044, SDG&E does not waive any right it has under federal or state law to maintain in confidence all discussions and conduct related to its negotiation of this Settlement Agreement.

SDG&E looks forward to your favorable consideration of the attached proposed Settlement Agreement.

Very truly yours,

A handwritten signature in cursive script that reads "W. Davis Smith".

W. Davis Smith
Associate General Counsel
Sempra Energy

Attachment

cc: Gary Cohen, General Counsel
Carl Oshiro, Interim Chief ALJ
All parties in Commission proceeding A.00-10-045 and A.01-01-044